

FINANCIAL MODEL

PLANT VISIT

Rising Stars

2024

IMPORT
SUBSTITUTION

ORGANISED
V/S
UNORGANISED

MANAGEMENT MEET

EXPORT
OPPORTUNITY

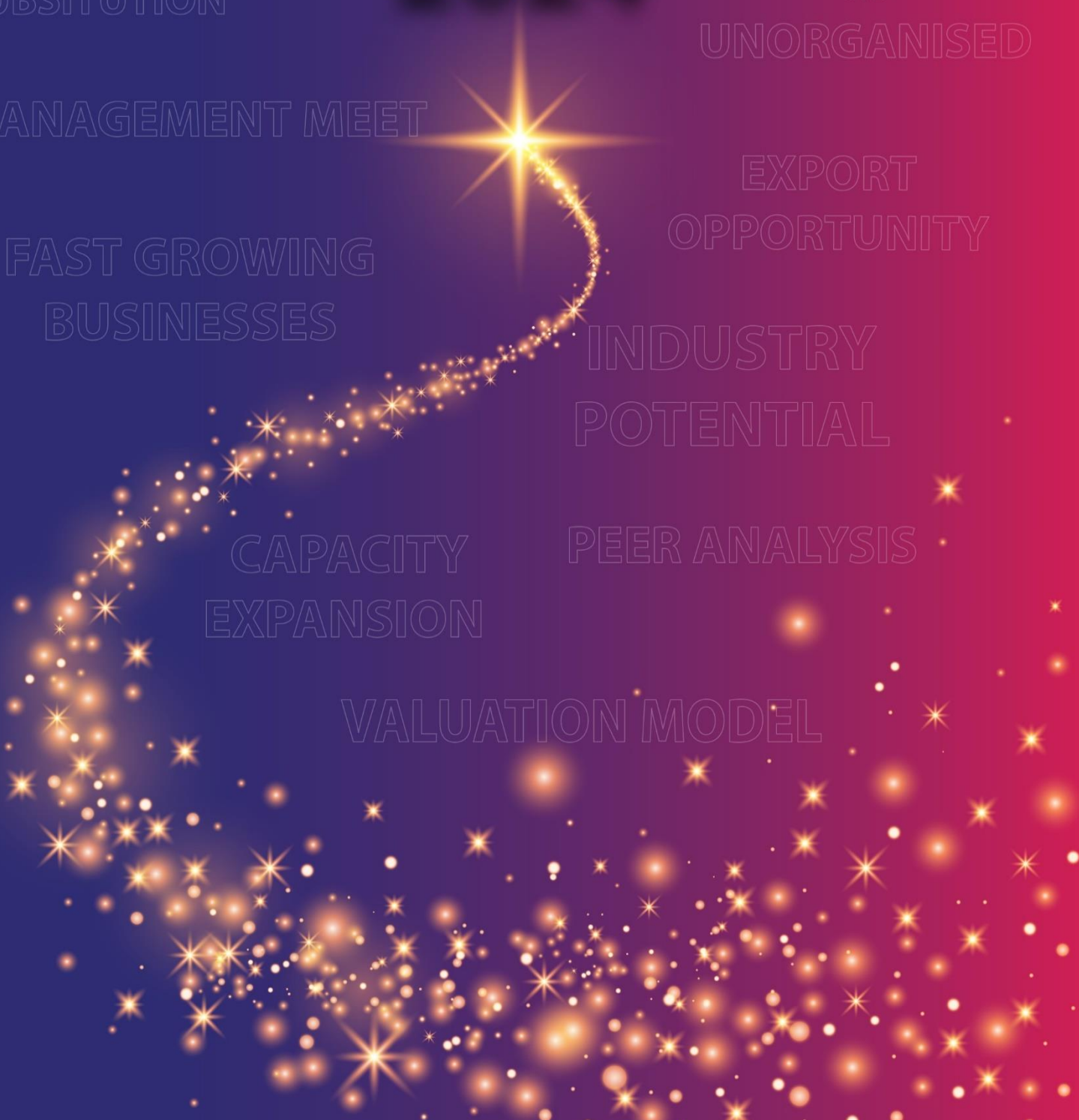
FAST GROWING
BUSINESSES

INDUSTRY
POTENTIAL

CAPACITY
EXPANSION

PEER ANALYSIS

VALUATION MODEL



Current Price (Rs)*	807.0
Target Price (Rs)	920.0
Upside (%)	14.0

*live price of 15th Feb, 2024

STOCK DATA

Industry Segment	Retail
BSE Code	543936
NSE Code	SENCO
Bloomberg Code	SENCO IN
52 Week High / Low (Rs.)	850.0/358.5
Face Value (Rs.)	10.0
Diluted Number of Shares (Crore.)	7.8
Market Cap. (Rs Crore.)	6,267.5

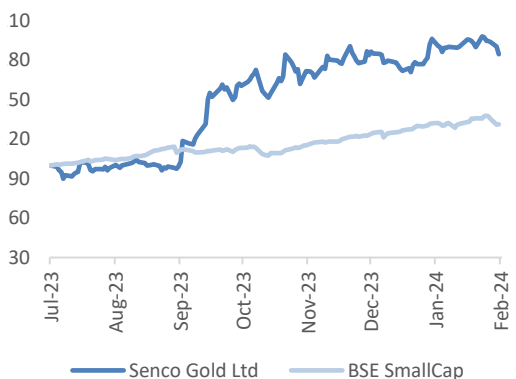
SHAREHOLDING PATTERN (%)

Particulars	Mar-23	Jun-23	Sep-23	Dec-23
Promoters	-	-	68.5	68.5
FII	-	-	14.4	14.5
DII	-	-	8.5	7.0
Public & Others	-	-	8.6	10.1
Total	100.0	100.0	100.0	100.0

RETURNS STATISTICS (%)

Particulars	1M	3M	6M	12M
Senco Gold	-1.5	9.7	87.4	NA
BSE SmallCap	0.5	14.1	27.6	NA

STOCK PERFORMANCE (since listing)



Source: BSE/SSL Research

Key highlights of 3QFY24 result

Strong sales growth driven by festive and wedding season: Senco Gold reported robust sales growth of 23.3% YoY at Rs 1,652 cr which was supported by huge response from festivals such as Dhanteras, Navratri, Durga Puja, Diwali and high number of weddings during the quarter. The company's blended studded sales ratio increased to 11.8% from 11.4% in 2QFY24. Senco aims to grow its blended studded sales to 15% over the next 3-4 years. EBITDA/PAT grew 11.3%/5.8% YoY to Rs 181 cr and Rs 109 cr respectively. EBITDA margin however declined 119 bps YoY to 11.0% as the company's investments have increased on people, training and overall marketing cost after entering into tier 3 & 4 cities.

For 9MFY24, Senco's revenue grew ~26% YoY to Rs 4,104 cr out of which volume growth was 9-10% while value growth was 16-17%. The gold segment grew 3-4% in volume terms and 9-10% in value terms while diamond segment grew 27% in volume terms and 40% in value terms during 9MFY24.

Net store addition of 19 during 9MFY24: The company net added 19 stores during the 9MFY24 period out of which 4 were franchise stores and 15 were company operated stores. The total store count of Senco as on date stands at 158. The company will open 18-20 stores per annum in the next 3 years.

Entry into Lab-Grown Diamonds (LGD): Senco has tapped LGD market in order to meet the growing demand in the segment. During the quarter, it opened 2 new LGD stores in Kolkata on a pilot basis and under the brand name Sennes to understand customer behavior in this segment. The management believes there is huge growth potential in this market as it offers high carat at relatively lower prices than natural diamonds. As per the buyback policy in case of LGDs, the customers will receive ~80% of the prevailing diamond rate and 100% of the metal weight which will further encourage customers to buy LGDs not only for adornment but also for investment. Senco will focus on designs (size of the diamonds, etc.) to create difference between natural diamonds and LGDs.

Maintain BUY - Target Rs 920: We believe Senco has huge headroom to grow given its strong legacy in the jewellery business, expanding footprint through a strong and diverse distribution channel, focus on light affordable jewellery with better price point and healthy growth visibility from both its company operated and franchise stores.

We maintain BUY on the stock and keep target price unchanged at Rs 920 valuing the stock at 34.1x PE multiple, which implies an upside potential of 14.0% for 12-18 months.

Financial Summary

Particulars (Rs cr)	FY22A	FY23A	FY24E	FY25E	FY26E
Net sales	3,534.6	4,077.4	5,086.5	6,425.7	7,925.8
growth (%)	32.9	15.4	24.7	26.3	23.3
EBITDA	277.2	316.6	350.9	449.9	572.4
growth (%)	58.1	14.2	10.9	28.2	27.2
EBITDA margin (%)	7.8	7.8	6.9	7.0	7.2
Adj. Net Profit	129.1	158.4	162.8	216.5	284.8
growth (%)	109.9	22.7	2.8	32.9	31.6
EPS (Rs)	24.3	28.4	21.0	27.9	36.7
P/E (x)	33.2	28.4	38.5	29.0	22.0
P/BV (x)	5.9	4.8	4.6	4.0	3.4
D/E (x)	1.2	1.2	0.9	0.9	0.9
RoE (%)	19.4	19.0	14.1	14.7	16.7
RoCE (%)	18.2	16.3	13.8	14.9	16.5
Dividend yield (%)	0.2	0.1	0.2	0.2	0.2

3QFY24 Result

Particular	3QFY24	3QFY23	Y-o-Y % Change	2QFY24	Q-o-Q % Change	Comments
Net Sales	1,652.2	1,339.6	23.3	1,146.6	44.1	Robust sales growth led by festivals and higher number of weddings
COGS	1,343.9	1,081.5	24.3	1,011.1		
Employee Cost	32.5	24.7	31.5	25.3		
Other Expense	94.8	70.7	34.0	70.6		
Total Operating Expenditure	1,471.1	1,176.9	25.0	1,107.1		
EBITDA	181.1	162.7	11.3	39.5	358.7	
EBITDA Margin (%)	11.0	12.1		3.4		Higher investments on business scaling up led to ~119 bps YoY decline in margin
Depreciation	15.8	11.6		13.3		
EBIT	165.3	151.2	9.3	26.2	530.0	
EBIT Margin (%)	10.0	11.3		2.3		
Interest	28.3	22.7		23.4		
Other Income	8.9	9.6		11.0		
Extraordinary item	-	-		-		
PBT	145.9	138.1	5.6	13.9	949.1	
PBT Margin (%)	8.8	10.3		1.2		
Tax	36.6	34.8	5.3	2.0	1767.3	
Effective Tax Rate (%)	25.1	25.2		14.1		
PAT	109.3	103.4	5.8	11.9	815.0	Decent PAT growth driven by robust sales growth
PAT Margin (%)	6.6	7.7		1.0		
EPS (Rs per share)	14.1	13.3	5.8	1.5	815.0	

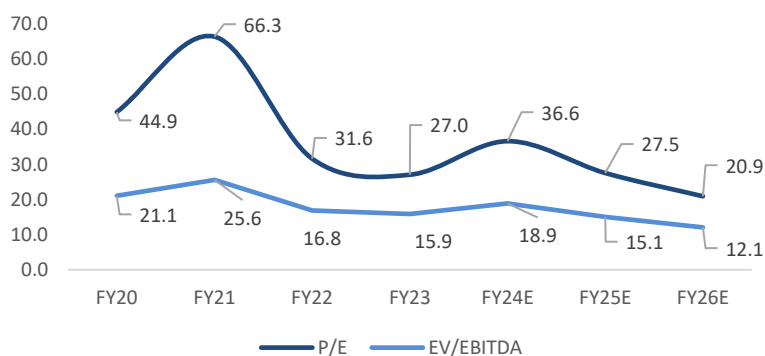
Source: Company/SSL Research

Estimates

Particulars (Rs cr)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	5,086.5	6,425.7	7,925.8	5,086.5	6,425.7	7,925.8	-	-	-
EBITDA	350.9	449.9	572.4	350.9	449.9	572.4	-	-	-
EBITDA Margin (%)	6.9	7.0	7.2	6.9	7.0	7.2	-	-	-
PAT	162.8	216.5	284.8	162.8	216.5	284.8	-	-	-
EPS (Rs per share)	21.0	27.9	36.7	21.0	27.9	36.7	-	-	-

Source: SSL Research

Valuation Metrics (x)



Source: SSL Research

Financial Statements

Income Statement

Figures in crore

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Net sales	3,534.6	4,077.4	5,086.5	6,425.7	7,925.8
growth (%)	32.9	15.4	24.7	26.3	23.3
Operating expenses	3,257.4	3,760.8	4,735.5	5,975.8	7,353.4
EBIDTA	277.2	316.6	350.9	449.9	572.4
growth (%)	58.1	14.2	10.9	28.2	27.2
Depreciation & amortization	42.1	45.6	56.1	69.3	82.3
EBIT	235.1	271.0	294.8	380.6	490.1
Other income	12.8	31.1	34.2	37.7	41.4
Interest paid	70.9	86.1	105.9	121.6	141.1
PBT	177.0	216.1	223.2	296.7	390.4
Tax	47.9	57.7	60.4	80.2	105.6
Effective tax rate (%)	27.0	27.0	27.0	27.0	27.0
Reported Net profit	129.1	158.4	162.8	216.5	284.8
Minority interest/Share of JVs	0.0	0.0	0.0	0.0	0.0
Adj. Net profit after minority interest	129.1	158.4	162.8	216.5	284.8
Non-recurring items	-	-	-	-	-
Adj. Net profit after minority interest & exceptional items	129.1	158.4	162.8	216.5	284.8
growth (%)	109.9	22.7	2.8	32.9	31.6

Balance Sheet

Figures in crore

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Cash & Bank balances	278.8	437.6	614.3	599.8	648.2
Inventories	1,391.2	1,885.5	2,226.3	2,636.9	3,144.2
Other current assets	131.2	178.0	220.9	265.4	317.2
Net fixed assets	223.1	279.6	321.3	369.8	419.4
Capital WIP	6.5	13.1	20.9	26.4	13.0
Long Term Investments	0.0	0.1	0.1	0.1	0.1
Other non-current assets	69.1	111.5	160.5	203.6	228.9
Total assets	2,100.0	2,905.2	3,564.3	4,102.0	4,771.1
Current liabilities	1,227.7	1,744.2	1,992.1	2,320.7	2,703.9
Borrowings	0.4	1.4	1.4	1.4	1.4
Lease Liabilities	145.1	188.4	191.7	193.7	203.1
Other non-current liabilities	0.9	25.7	12.4	14.6	18.0
Total Non-Current liabilities	1,374.1	1,959.7	2,197.6	2,530.5	2,926.4
Share capital	53.2	55.9	77.7	77.7	77.7
Reserves & surplus	659.5	876.4	1,289.1	1,493.9	1,767.1
Shareholders' funds	726.0	945.5	1,366.7	1,571.6	1,844.7
Minority interest	-	-	-	-	-
Total equity & liabilities	2,100.0	2,905.2	3,564.3	4,102.0	4,771.1

Cash Flow Statement

Figures in Cr.

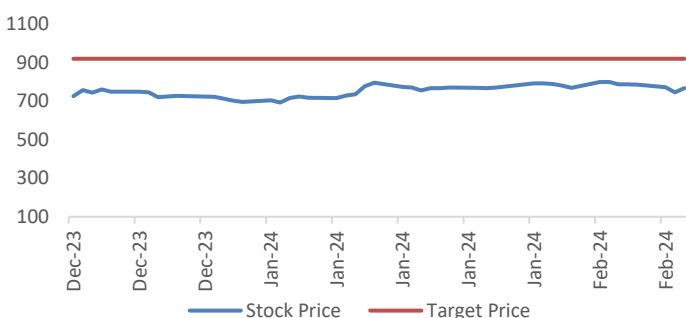
Particulars	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	177.0	216.1	223.2	296.7	390.4
Depreciation	42.1	45.6	56.1	69.3	82.3
Chg in working capital	-312.3	-347.1	-230.9	-270.8	-352.7
Total tax paid	-38.8	-59.2	-60.4	-80.2	-105.6
Other operating activities	62.0	68.5	59.8	69.8	86.7
Operating CF	-69.9	-76.1	47.9	84.8	101.2
Capital expenditure	-24.7	-31.1	-45.5	-46.6	-47.8
Other investing activities	-132.4	-166.9	-45.1	-34.5	1.1
Investing CF	-157.1	-198.0	-90.5	-81.1	-46.7
FCF	-94.6	-107.3	2.4	38.2	53.4
Equity raised/(repaid)	-	75.0	270.0	-	-
Debt raised/(repaid)	330.5	314.2	94.7	144.1	175.6
Payment of lease liabilities	-17.3	-20.4	-56.7	-66.2	-75.6
Interest paid	-70.4	-83.3	-77.0	-84.5	-94.5
Dividend (incl. tax)	-14.7	-11.4	-11.6	-11.6	-11.6
Other financing activities	-	-	-	-	-
Financing CF	228.0	274.1	219.4	-18.2	-6.1
Net change in cash & bank bal.	1.0	-0.1	176.7	-14.5	48.4
Closing cash & cash equivalents	9.6	9.5	186.2	171.7	220.1

Important Ratios

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Profitability and return ratios (%)					
EBIDTAM	7.8	7.8	6.9	7.0	7.2
EBITM	6.7	6.6	5.8	5.9	6.2
NPM	3.6	3.9	3.2	3.3	3.6
RoE	19.4	19.0	14.1	14.7	16.7
RoCE	18.2	16.3	13.8	14.9	16.5
Per share data (Rs)					
O/s shares (Cr.)	5.3	5.6	7.8	7.8	7.8
EPS	24.3	28.4	21.0	27.9	36.7
FDEPS	24.3	28.4	21.0	27.9	36.7
CEPS	32.2	36.5	28.2	36.8	47.3
BV	136.5	169.3	176.0	202.4	237.5
DPS	1.5	1.0	1.5	1.5	1.5
Valuation ratios (x)					
PE	33.2	28.4	38.5	29.0	22.0
P/BV	5.9	4.8	4.6	4.0	3.4
EV/EBIDTA	17.6	16.6	19.7	15.7	12.6
EV/ Net sales	1.4	1.3	1.4	1.1	0.9
Other key ratios					
D/E (x)	1.2	1.2	0.9	0.9	0.9
Debtors period (days)	3.0	4.0	4.0	4.0	3.0
Creditors period (days)	10.0	13.0	14.0	14.0	15.0
Inventory period (days)	126.0	147.0	148.0	138.0	133.0
Cash conversion cycle (days)	119.0	138.0	138.0	127.0	122.0
Du Pont Analysis - RoE					
NPM (%)	3.6	3.9	3.2	3.3	3.6
Asset turnover (x)	16.0	15.7	16.1	17.5	19.2
Equity Multiplier (x)	0.3	0.3	0.3	0.3	0.2
RoE (%)	19.4	19.0	14.1	14.7	16.7

Source: Company, SSL Research

Recommendation History



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SEBI Registration No.: Stock Broker: INZ000200032 | CDSL: IN-DP-314-2017 | NSDL: IN-DP-NSDL-369-2014 | Research Analyst: INH000000602

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